Senate Budget & Fiscal Review

Senator Wesley Chesbro, Chair

Subcommittee No. 3
on
Health, Human Services, Labor, and Veterans Affairs

Senator Wesley Chesbro, Chair
Senator Gilbert Cedillo
Senator Tom McClintock
Senator Bruce McPherson
Senator Deborah Ortiz

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Wednesday, May 21st, 2003
9:00 a.m.
Room 4203

AGENDA – Part II

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

4130 Health and Human Services Agency Data Center

VOTE ONLY ITEMS:

1. Child Welfare Services/Case Management System – Issues A, B and C

Overall Background: Federal and state laws require the state to provide automated case management support to child welfare workers. California accomplishes this goal through the Child Welfare Services Case Management System.

The state has developed the main CWS/CMS system, which meets most federally required functionality requirements. The state plans to meet 15 of the remaining requirements within the existing system and is continuing to develop the system to meet all federal functionality requirements.

The Health and Human Services Data Center is responsible for the maintenance and operations of the CWS/CMS. HHSDC works with counties and with the Department of Social Services to address problems, make program modifications, and assure the system continues to adequately meet programmatic needs.

Issue A – CWS/CMS Maintenance and Operations Contract

Background: IBM Global Services developed and implemented the CWS/CMS system. California has continued to contract with IBM to maintain and operate the system. The current maintenance and operations contract will end on July 31, 2003. The state is in the process of procuring a new maintenance and operations contractors. However, federal concerns about the procurement process have delayed the state's retention of a new contractor and necessitate an extension of the current contract. **The Data Center has successfully negotiated a 3-year contract extension, which will reduce state spending** on CWS/CMS maintenance **by $10.4 million annually, or 14%** and requires increased vendor services.

May Revision: The May Revision requests that the Legislature (1) reduce funding for CWS/CMS maintenance and operations by $10,410,000 to reflect reduced contract rates and (2) establish five 4-year limited term positions to procure the new contract at a cost of $104,000.

The Legislative Analyst recommends that the Legislature approve the proposed reduction and establish 2-year limited term positions, instead of 4 year limited term positions.

Staff recommendation: Adopt the May Revision proposal.

Issue B –Hardware requested for CWS/CMS Maintenance and Operations

Governor's Budget: The Governor's Budget proposed to increase HHSDC's spending authority by $10.6 million to fund new hardware for CWS/CMS maintenance and operations. The Legislative Analyst recommended that the HHSDC finance rather than purchase hardware to reduce costs for CWS/CMS maintenance and operations in the budget year. The Subcommittee referred to the "action agenda" a recommendation to adopt the LAO recommendation.

May Revision: The May Revision incorporates the LAO recommendation that HHSDC finance the hardware purchase and requests that the Legislature reduce funding for CWS/CMS maintenance and operations by $7 million.

Staff recommendation: Adopt the May Revision proposal.

Issue C - CWS/CMS Staff Training

Background: The Department of Social Services has traditionally provided local assistance funding to support statewide training of caseworkers on the CWS/CMS system. This funding supported a contract between IBM and the Department of Social Services for the provision of computer based and web based training to caseworkers, as well as the development of instructional materials. The current contract will expire January 31, 2004.

May Revision: The **May Revision requests** that the Legislature establish **8 new permanent positions and increase the HHSDC's spending authority by $1,014,415** to support CWS/CMS training activities. The May Revision cites a recent federal review of California's children and family services which concluded that California is not operating in substantial conformity in all evaluated outcome areas and five of the seven evaluated factors, including providing adequate statewide training for CWS workers.

Staff Recommendation: Deny the requested positions and spending authority increase.

4140 Office of Statewide Health Planning and Development

VOTE ONLY ITEMS:

1. Family Physician Training Program

Background: The Song-Brown Family Physician Training Program seeks to increase the number of general practice health care providers by providing clinical training opportunities to physician residents, physician assistants and family nurse practitioners.

Governor's Budget: The **budget eliminates General Fund support for the program** for savings of $4.5 million **and offsets this reduction with revenue from a new surcharge** imposed on specific health care provider licenses.

Finance Letter: A Department of Finance Letter retracts the surcharge proposal and requests that the Legislature amend the proposed budget to provide $4,502,000 in General Fund support for the program.

Staff Recommendation: Adopt the Department of Finance Letter.

2. Health Professions Career Opportunity Program

Background: The Health Professions Career Opportunity Program (HPCOP) seeks to increase the number of health professionals who work in underserved communities by providing recruitment and mentoring services to certain undergraduate students.

Governor's Budget: The **budget proposes to eliminate the HPCOP program** for savings of $142,000 in the budget year. It also proposes implementing legislation to eliminate statutory references to the program.

Subcommittee recommendation: The Subcommittee considered this issue on April 10th and referred to the "action agenda" its recommendation to approve the proposed reduction and adopt legislation to make program implementation contingent on a budget appropriation.

3. Bateson Building Security Contract

Background: The OSHPD and various other state agencies occupy the same building and rotate responsibility for serving as custodian of the building's security contract. OSHPD will assume responsibility for entering the contract for the next three years. A recent Department of Finance letter requests that the Legislature increase OSHPD's spending authority by $225,000 to finance the security contract.

Subcommittee recommendation: The Subcommittee considered this issue on April 10th and referred to the "action agenda" its recommendation to approve the requested spending authority increase.

4170 Department of Aging

VOTE ONLY ITEMS:

1. Senior Wellness and Prevention Media Campaign (StayWell)

Background: The Senior Wellness and Prevention Media Campaign (StayWell) promotes wellness by providing information on healthy aging practices to seniors, their families, caregivers, and health professionals. Program funding has supported the development and implementation of the public education campaign to provide information to aging Californians about physical fitness, nutrition, physical and mental health.

Governor's Budget: The Budget **proposes $495,000 in funding for the StayWell program.** Of these funds $200,000 will support the Senior Farmers Market Nutrition Program and $295,000 will support the continued development, publishing, distribution and translation of educational materials.

The Subcommittee considered this issue on March 6 and referred to the "action agenda" its recommendation to reduce program funding by $295,000. The Department of Aging subsequently testified that it planned to redirect funds from the Stay Well program to the Senior Farmers Market Nutrition Program. The Department of Finance testified that the Administration had not approved the proposed funding shift.

Staff recommendation: Reduce funding for StayWell by $200,000, adopt budget control language to reduce federal funding for CDA's state operations by $600,000, and redirect the $800,000 in savings to local assistance to fund the Senior Nutrition Program.

2. Brown Bag Program Elimination

Background: The Brown Bag Program provides surplus and unmarketable fruit, vegetables and other unsold food products to low-income persons who are 60 years of age or older and who are eligible for SSI/SSP. The program assists seniors in maintaining independence and having a healthy diet, supplements the food budgets of low-income seniors, and reduces food waste. It provides seniors a yearly amount of food valued at $571, an amount roughly equivalent to a program participants' monthly income. The program serves approximately 40,000 seniors at a return for investment of $35 for each $1 of state funds.

Governor's Budget: The budget proposes to eliminate funding for the Brown Bag Program for savings of $865,000 and proposes legislation to eliminate the statutory authority for the program.

Staff recommendation: Reject the proposed elimination and restore program funding.

3. Senior Nutrition Program Reduction

Background: The Senior Nutrition Program provides home delivered meals to frail, isolated or homebound seniors and provides meals to seniors in congregate settings. The program serves persons who are 60 years of age or older with priority granted to those in greatest economic or social need and to low-income individuals from underserved ethnic groups. It provides home delivered meals to 55,000 seniors who are homebound due to illness, incapacity, disability, or who are otherwise isolated.

Governor's Budget: The budget proposes **to eliminate the state over-match for the Senior Nutrition Program for general fund savings of $2.9 million.** The reduction will result in the loss of federal funds and the elimination of 5,100 seniors from the program.

Staff recommendation: Restore $2.1 million General Fund to the program.

4200 Department of Alcohol and Drug Programs

VOTE ONLY ITEMS:

1. Drug Medi-Cal

Background: The Drug Medi-Cal program provides specified substance abuse treatment services to low-income parents, children, seniors and persons with disabilities enrolled in the Medi-Cal program. Drug Medi-Cal is overseen by the Department of Alcohol and Drug Services and administered locally by county alcohol and drug programs, in collaboration with county welfare departments. The program is funded by state and federal matching funds at an approximate ratio of 1 to 1.

Governor's Budget: The budget reduces program funding by $2.6 million to reflect an estimated decrease in caseload.

May Revision: The May Revision requests an $5.7 million general increase due to reflect an increase in the Drug Medi-Cal and the Perinatal Drug Medi-Cal caseload.

Staff recommendation: Adopt the May Revision.

2. Substance Abuse Prevention and Treatment Block Grant

Background: California applies for and receives on an annual basis a federal Substance Abuse Prevention and Treatment (SAPT) Block Grant from the Substance Abuse and Mental Health Services Administration to support substance abuse prevention and treatment services. For federal fiscal year 2003 the grant award amount is $251,851,368.

May Revision: The May Revision requests an increase of $644,000 in federal funds expenditure authority for local assistance to support prevention services and HIV early intervention services as required by the federal SAPT grant.

Staff recommendation: Adopt the May Revision.

3. State Staffing Increase

May Revision: The May Revision requests that the Legislature provide an increase of $373,000 to establish five new positions. Three of the positions will provide technical assistance to counties regarding implementation of Proposition 36 and drug court programs. Two positions will support the investigation of complaints involving Residential and Outpatient treatment providers licensed by the DADP.

Staff recommendation: Adopt the May Revision.

4. Safe and Drug Free Communities Grant

Background: The Safe and Drug Free Schools and Communities grant funds a variety of statewide mentor programs, alcohol and drug abuse prevention programs operating across the state, and the provision of technical assistance to statewide alcohol and drug prevention organizations and providers.

Finance Letter: A Finance letter requested that the Legislature increase DADP's federal expenditure authority for local assistance by $1,680,000 to support local alcohol and other drug prevention programs. The Subcommittee adopted this request on May 8.

May Revision: The May Revision requests a technical change to conform to the reversal of realigned drug and alcohol programs.

Staff recommendation: Reverse the Subcommittee's prior action and adopt the May Revision.

5. Substance Abuse Recovery Management System

Background: The Substance Abuse Recovery Management System (SARMS) is a dependency drug court operating in San Diego county which works to reduce foster care costs by providing substance abuse treatment to parents who are involved in dependency court cases. SARMS is funded by a combination of funding sources. There are approximately 1000 parents enrolled in SARMS. SARMS is one of several programs providing substance abuse services to parents whose children are dependents of the state.

Last year, the Legislature enacted legislation to determine the costs and fiscal benefits of SARMS. Initial findings suggest that SARMS has positive outcomes for parents and children participating in the program. The evaluation has found that SARMS uses creative funding sources to support the project. Given estimates that 80 percent of the state's 125,000 substantiated cases of child abuse or neglect and 80 percent of the 90,000 foster care cases involve substance abuse, the state will likely benefit from treatment modalities that effectively reduce the incidence of substance abuse among parents involved in dependency court.

Assembly Action: The Assembly Budget Subcommittee on Health and Human Services adopted placeholder trailer bill language to direct DADP to work with Department of Social Services to encourage counties to adopt model programs such as SARMS.

Staff recommendation: Conform to the Assembly.

ITEMS FOR DISCUSSION:

1. Substance Abuse Prevention and Treatment Block Grant

Background: California applies for and receives on an annual basis a federal Substance Abuse Prevention and Treatment (SAPT) Block Grant from the Substance Abuse and Mental Health Services Administration to support substance abuse prevention and treatment services. For federal fiscal year 2003 the grant award amount is $251,851,368. As a condition of receiving SAPT Block Grant funds, California must maintain state expenditures for substance abuse prevention and treatment services at a level equal or higher than the average state expenditures for the preceding two state fiscal years. The state must also maintain an MOE for substance abuse services for pregnant and parenting women, for tuberculosis services and for HIV Early Intervention Services. Failure to meet the MOE requirement results in a dollar of federal funds lost for every dollar below the required funding. The total MOE for 2003-04 is $247,984,000.

May Revision: The May Revision proposes to reduce county discretionary funding for substance abuse services by $11.5 million to maintain state spending at the MOE level.

As a result of Drug Medi-Cal caseload increases, providing annualized funding for the drug courts, and the reversal of realignment, **the May Revision assumes that absent additional changes, state funding will be $11.5 million above the required MOE level.** The Administration **proposes to reduce discretionary county funding for substance abuse services, excluding perinatal services, to maintain spending at the MOE level.** The reduction reflects a 67 percent reduction in state funded county discretionary moneys, and a total county discretionary fund reduction of 4.5 percent.

Counties will have significant discretion in determining how to absorb the proposed reductions. However, as most administrative expenditures reflect fixed costs, counties will likely reduce substance abuse prevention and treatment services to absorb the reductions. Clients in need of alcohol and other drug treatment services, particularly youth, women without children, men and single fathers, are most likely to feel the impact of this reduction through a reduction in service. The majority of the clients affected by the reductions are persons who voluntarily seek treatment and who are not involved in the criminal justice system. The proposed reduction is likely to result in about 3,400 fewer people receiving AOD treatment services in the budget year.

Since the May Revision, the DADP realized that it miscalculated the effect of proposed changes on state expenditures. The May Revision provides a level of resources that is $2.3 million below the required MOE level.

Staff recommendation: Adopt the proposed reduction of county discretionary funding.

2. Drug Courts

Background: California's drug court programs work to reduce drug usage and recidivism through the provision of court supervised substance abuse treatment. They integrate drug treatment with other rehabilitation services to promote long-term recovery and reduce the social and financial costs of substance abuse. Judges modify program services based on client needs and exercise different enforcement options to assure client compliance with treatment. Drug courts are diverse and serve different populations including adults, juveniles, repeat drug offenders, multiple offenders, and probation violators. Generally, drug court participants have abused alcohol or other drugs for ten or more years and received little or no substance abuse treatment.

California supports drug courts through the Drug Court Partnership (DCP) and the Comprehensive Drug Court Implementation (CDCI). The state provides $11.6 million in total funding for drug courts, of which $419,000 is used in state support.

The Drug Court Partnership program provides funding to counties that serve adult defendants, who have been convicted of felonies and placed on probation, conditioned on their participation in the drug court program. The program requires that counties provide DADP with data to measure cost avoidance. Thirty-three counties are currently participating in the program. **Preliminary outcome data of the DCP program demonstrates state prison savings of $1.60 per dollar spent.** It is likely that future data will show a higher level of savings, as all programs are required to focus on post-plea felons beginning May 2003.

Governor's Budget: The budget provides $11.6 million in funding for drug courts and proposes to realign the programs to counties. Annualized funding for the Drug Court program amounts to $14.75 million.

May Revision: The May Revision proposes a $2,966,000 increase to the Drug Court Partnership Program to restore savings and annualize the current funding.

Alternative Proposal: The Subcommittee may wish to (1) Adopt the May Revision funding increase, and to (2) Provide an additional $2.3 million augmentation in local assistance, funded by prison savings, to be distributed to counties according to population. The Subcommittee may also wish to adopt placeholder trailer bill language to (1) require counties to focus their adult CDCI programs on adult defendants, who have been convicted of felonies and placed on probation, conditioned on their participation in the drug court program, (2) require participating counties to report cost avoidance data, and (3) prohibit counties from redirecting funds to dependency or juvenile drug courts. **Based on cost effectiveness data of the existing program, the Alternative Proposal will result in $12.7 million net general fund savings.**

Staff recommendation: Adopt the Alternative Proposal.

4700 Community Services and Development Department

VOTE ONLY ITEM:

1. Consolidation of the Department of Community Services and Development into the Department of Social Services

Background: The Department of Community Services and Development administers the Low Income Home Energy Assistance Programs, the Department of Energy Weatherization Assistance Program, and the federal Community Services Block Grant. It also verifies eligibility of applicants for the California Alternative Rates for Energy Program, administers the Naturalization Services Program and the Lead-Based Paint Abatement and Prevention Program, and participates in the California Mentor Program.

Governor's Budget: The budget proposes to consolidate the Department of Community Services and Development with the Department of Social Services to improve efficiency in state government. The budget assumes a reduction of $922,000 in state administration costs and proposes to shift these funds to local assistance. **The proposal will not result in any general fund savings.**

The Subcommittee considered the Governor's proposal on March 6 and heard testimony from various community groups who argued that the proposed consolidation would reduce program accountability and diminish state leadership.

Staff recommendation: Reject the proposed consolidation.

ITEM FOR DISCUSSION:

1. Naturalization Services Program Elimination

Background: The Naturalization Services Program assists legal permanent residents to obtain citizenship. It conducts outreach, provides citizen preparation and assistance, skills assessments, and advocacy/follow-up. Program services are provided through contracts with community-based organizations across the state. The program assists an average of 7,400 individuals per year in the completion of citizenship applications. The average expenditure per person served is $350.

Governor's Budget: The budget **proposes to eliminate the Naturalization Services Program** to realize savings of $7.9 million ($2.9 million general fund).

Numerous constituency groups have written in opposition of this proposal arguing that the Naturalization Services Program contributes to the successful integration of immigrants, reinforces the principles of democracy, and is critical to the continued employment of immigrants and to economic growth.

The Subcommittee considered the proposed program elimination and directed Subcommittee staff to develop alternatives to the Governor's proposals.

Alternative Proposal: The Subcommittee may wish to **restore $1.5 million in funding**. The Subcommittee may wish to **adopt placeholder legislation to (1) limit funding to outreach services, citizenship application assistance, and follow-up and advocacy assistance,** (2) target funding to organizations that have succeeded in meeting program goals, (3) l**imit the maximum per client payment to $250.** The Subcommittee may also wish to require the Department to report to the Legislature in two years on program implementation. Lastly, the Subcommittee may wish to **require CSD**, in consultation with the Department of Education, legislative staff and stakeholders, **to consider elements of existing citizenship, naturalization, and ESL programs that may limit the participation of community-based organizations** and to issue recommendations to the Legislature by March 1, 2004.

Staff recommendation: Restore $2.9 million in funding or Adopt Alternative Proposal.

5160 Department of Rehabilitation

VOTE ONLY ITEMS

1. Vocational Rehabilitation Services

Background: The Vocational Rehabilitation Services (VR) program assists individuals with disabilities to prepare for, enter into, and retain competitive employment. Program services include client assessments, counseling and guidance, purchase of individualized rehabilitation services, job skills training and job placement services. Department staff members stationed in approximately 120 field offices throughout the state deliver program services to approximately 76,000 individuals who have a full range of physical and mental disabilities. The department also collaborates with school districts, county mental health programs, county welfare departments and state and community colleges to provide program services to persons mutually served by these agencies.

Governor's Budget: The **budget provides $321.2 million ($42.6 general fund) in funding** for the Vocational Rehabilitation Program. The budget maintains services to the categories of Most Significantly Disabled and Significantly Disabled clients and estimates that caseload will remain at the current year level.

May Revision: The May Revision requests that the Legislature (1) augment program funding by $1,945,000 ($556,000 GF) to reflect a caseload decrease and increase in costs of services, and (2) revert $736,000 to the GF due to a current year caseload decrease.

Staff recommendation: Adopt the May Revision.

2. Habilitation Services Program - Issues A and B

Background: The Habilitation Services Program (HSP) provides a range of services to persons with developmental disabilities to assist them in reaching and maintaining their highest level of vocational potential. HSP clients are persons with developmental disabilities referred to the program by Regional Centers. Program consumers receive work experience and ancillary work related services in a sheltered setting through the Work Activity Program or competitive employment opportunities, training and ancillary support services through the Supported Employment Program. Program services are considered an entitlement under the Lanterman Act.

Issue A – Proposed Habilitation Services Program Transfer

Background: The Governor's Budget proposed to transfer the Habilitation Services Program from the Department of Rehabilitation to the Department of Developmental Services effective July 1, 2003. The budget proposed to consolidate program administration within DDS and the Regional Center network. The budget assumed increased administrative efficiencies as a result of the proposed transfer and estimated net savings of $1.5 million general fund.

Senate Bill 24x, Chapter 7 of the Statutes of 2003, transferred HSP to the DDS and the Regional Centers effective July 1, 2004. The measure did not restore positions or program funding to the Department of Rehabilitation to reflect the one-year transfer delay.

May Revision: The May Revision requests that the Legislature amend the budget to reflect enactment of Senate Bill 24x. Specifically, it requests that the Legislature (1) restore 29.3 positions to the DOR, (2) provide $116,712,000 in program funding within the DOR budget, (3) reflect 19,790,000 in increased federal reimbursements, and make conforming changes to the DDS budget.

Staff recommendation: Adopt the requested changes to reflect the enactment of Senate Bill 24x and adopt placeholder trailer bill language to make technical changes to the enacted sections.

Issue B – Caseload Changes

Background: The Habilitation Services Program is an employment-based program, and as such, its caseload is directly affected by job availability. Program consumers, like many other Californians, have lost their jobs and are facing difficulties in securing new employment given the state's economic status and high unemployment rates.

The Governor's Budget estimated a 2.9 percent increase in the Habilitation Services Program caseload in the budget year. The May Revision modifies previous caseload projections and estimates a modest caseload decrease.

May Revision: The May Revision requests that the Legislature (1) reduce program funding by $12,259,000 general fund to reflect a caseload decrease, (2) provide a $1,783,000 increased in federal funds, and (2) revert $5.7 million to the general fund due to a current year caseload decrease.

Staff recommendation: Adopt the May Revision.

3. Work Activity Program – Issues A and B

Background: The Work Activity Program (WAP) provides work experience and ancillary work-related services in a sheltered setting to persons with developmental disabilities. The program assists individuals in reaching and maintaining their highest level of vocational potential. WAP serves an estimated 12,000 consumers through not-for-profit agencies authorized and reimbursed by the Department of Rehabilitation. WAP is a component of both the Vocational Rehabilitation Services Program and the Habilitation Services Program.

Issue A – Rate Adjustment Suspension

Background: WAP providers are reimbursed for services on a per consumer day basis. Program rates vary from provider to provider based on their WAP historical costs. WAP rates are adjusted biennially, to reflect individual provider's costs. 2003-2004 is a rate setting year.

Governor's Budget: The budget proposes to suspend WAP rate adjustments for the budget year to realize savings of $16.9 million ($12.3 general fund). Suspension of the rate adjustment will continue the current rates until the end of the 2005-2006 fiscal year.

Subcommittee recommendation: The Subcommittee considered this issue on March 13 and referred to the "action agenda" a recommendation to suspend the rate adjustment for the budget year only.

Issue B – Rate Reduction

Background: WAP services are usually provided in a sheltered workshop and include both paid work and work related services. Providers are reimbursed for services on a per consumer day basis. Program rates are established on a per provider basis and vary based on the individual provider's historical costs.

Governor's Budget: The budget **reduces provider rates in the Work Activity Program effective by 5 percent to realize savings of $3.1 million general fund.** Program rates will vary from provider to provider based on their historical costs but will be reduced by 5 percent from their 2002-03 level.

May Revision: The May Revision maintains the proposed rate reduction, but adjusts the estimated savings to reflect the caseload decrease and an increase in available federal fund. The revised general fund savings are $2.7 million.

Staff recommendation: Adopt the May Revision.

4. Supported Employment Program – Issues A and B

Background: The Supported Employment Program provides clients competitive employment opportunities and provides training and ancillary support services to enable clients to learn job skills and maintain employment. SEP services are provided in individual or group settings. Job coaches provide SEP services to approximately 15,400 clients statewide. SEP is a component of both the Vocational Rehabilitation Services Program and the Habilitation Services Program. The Department of Rehabilitation administers the program.

Issue A – Rate Reduction

Background: Supported Employment Program providers are reimbursed on a per hour basis at a statutorily established rate. The current reimbursement is $28.33 per job coach hour and generally requires that providers assist a group of 3 or 4 consumers.

Governor's Budget: The budget **reduces provider rates in the Supported Employment Program by 5 percent to realize savings of $3.2 million in general fund.** SEP rates will be lowered from $28.33 to $26.91 per job coach hour.

May Revision: The May Revision maintains the proposed rate reduction, but adjusts the estimated savings to reflect the caseload decrease and increases in available federal reimbursements. The revised general fund savings are $3 million.

Staff recommendation: Adopt a 2.5 percent SEP provider rate reduction and restore $2,156,000 ($1,515,500 general fund).

Issue B – Program Sunset

Background: Existing law authorizes the Department of Rehabilitation to adjust provider rates to assure Supported Employment Program expenditures do not exceed the annual budget appropriation. Current law also authorizes the DOR to approve or disapprove funding for new or modified supported employment programs. Both of these sections are scheduled to sunset effective September 1, 2003.

May Revision: The May Revision requests that the Legislature adopt legislation to repeal the sunset provisions.

Staff recommendation: Adopt placeholder trailer bill language to repeal the aforementioned sunset provisions.

5175 Department of Child Support Services

VOTE ONLY ITEMS:

1. Alternative federal penalty

Background: Federal law required states to develop and implement a single statewide automated child support system by October 1, 1997. California engaged in a contract to do so, but the effort failed, and the state terminated the contract in November 1997.

As a result of the state's failure to implement a statewide automated child support system, California has been subject to significant federal penalties since 1997. The penalties are based on a percentage of administrative expenditures of federal funds on state child support collection activities. California is penalized at the maximum percentage of 30%.

Governor's Budget: The Governor's Budget provides $207.1 million to fund the penalty.

May Revision: The May Revision adjusts funding for the penalty to reflect actual program expenditures. The penalty increases by $1.5 million to $208.6 million.

Staff recommendation: Adopt the May Revision.

2. County share of cost for alternative federal penalty

Background: Since 1997, California has been subject to substantial federal penalties due to the state's failure to establish a single statewide system for the collection of child support by the federal deadline. **Current law provides for payment of the penalty through a reduction in the federal funds for state and county administration of the child support program.** Since 1997, California has waived the mechanism for paying the penalty with state and county child support program funds. The state has appropriated General Fund dollars to pay for the penalty and has continued to fully fund program administration. Last year, the Governor proposed a 50 percent county share of cost of the alternative federal penalty payable with county general funds.

Governor's Budget: The budget **proposes a 25 percent county share of the alternative federal penalty and assumes a $51.8 million contribution from counties for payment of the penalty.**

May Revision: The May Revision adjusts the required county contribution to reflect the actual alternative federal penalty level. The revised county share is $52.1 million.

Staff recommendation: Adopt the Governor's proposal.

3. State Administrative Hearings

Background: California's child support reform legislation established a state hearing process to consider specified issues brought forth by custodial and non-custodial parents. Parents can use the state hearing process if an application for child support services has been denied or not acted upon within the required timeframes, if a case has been acted on in violation of a state or federal law or regulation, if child support collections have not been distributed or have been distributed incorrectly, or if they disagree with an agency's decision to close a case. The Department of Child Support Services contracts with the Department of Social Services to conduct state hearings.

Finance Letter: A Department of Finance letter requests that the Legislature augment the DCSS state operations budget by $2.0 million ($687,000 GF) to address increased workload associated with child support administrative hearings. Of this amount, $1.8 million is to reimburse the DSS for conducting state hearings. The Finance Letter also requests the establishment of 2.5 positions at the DCSS and 16.4 positions at the DSS to address the state hearings workload.

Staff recommendation: Approve the establishment of 9 limited term positions, 2 in CDSS and 9 in DSS, and approve funding increase consistent with this action.

4. Foster Parent Training Fund

Background: Since 1984, the Chancellor's Office of the California Community Colleges has operated a training program for foster parents. The Foster and Kinship Care Education program provides training to facilitate the development of foster family homes and small family homes to care for children who have special needs. It is the state's primary training program foster parents and kinship care provides, and assists foster parents in meeting licensing training hour requirements.

Most state funding provided for this program comes from the Foster Parent Training Fund. California transfers the difference between the state share of child support foster care collections and the base level of the estimated share of child support foster care collections, up to a maximum of $3 million, to the Foster Parent Training Fund. These funds support the colleges' foster parent training programs and are used to leverage $4.2 million in federal matching funds.

Governor' s Budget: The budget eliminates the transfer of child support collection revenues to the Foster Parent Training Fund for an increase of $2.6 million general fund revenue.

May Revision: The May Revision augments foster parents training funds by $10 million TANF funds. These funds can not be used to access federal matching funds.

Staff recommendation: Maintain the transfer of child support collection revenues to the Foster Parent Training Fund and restore funding to the Community Colleges.

5. Federal Incentives Funding

Background: The federal government provides states child support incentives based on a state's program performance relative to other states. Incentives consider the establishment of paternity and support orders, collections, cost effectiveness and data reliability.

Governor's Budget: The budget estimates that California will earn $52.2 million and $53.6 million in federal child support incentives if 2002-03 and 2003-04 respectively.

May Revision: The May Revision incorporates recent data which finds that California will receive additional federal incentives of $3.2 and $1.8 in 2002-03 and 2003-04 respectively. It proposes to use these funds to offset administrative costs currently funded by the General Fund.

Staff recommendation: Adopt the May Revision.

6. Electronic Data Processing Conversion and Enhancement Funding

Background: The Budget for 2002-03 included $4.7 million ($1.6 million General Fund) to convert two county consortia automation systems to another system to reduce maintenance, operation, and system enhancement costs. Project implementation has been delayed by the enactment of a late budget and the time required to procure a vendor. Consequently, $2.8 million ($934,000 General Fund) of the amount budgeted will not be expended in 2002-03.

May Revision: The May Revision requests that the Legislature reappropriate the unspent funds to the department to support completion of the system conversion in 2003-04.

Staff recommendation: Adopt May Revision.

ITEMS FOR DISCUSSION:

1. Child Support Collections

Background: In 1999, the Legislature enacted child support reform legislation to improve system accountability to children and their custodial and non-custodial parents, increase enforcement of child support and medical support orders, increase collections and assure statewide uniformity in the operation of child support programs. Since then, **California has generally improved its performance on federal outcome standards, although performance continues to vary significantly among counties.** California performed significantly above the national average on the establishment of paternity and the percent of cases with a child support order. California's performance is about the national average on collection arrears.

California's performance on cost-effectiveness is significantly below the national average. California collected $2.60 per each dollar expended on collection efforts compared to the national average of $4.18.

Although California has improved program performance and increased collections, its performance on current collections is below the national average. The state also continues to have a significant amount of uncollected child support payments. The state's current arrearage exceeds $17 billion dollars. Approximately $6 billion of the state's total arrears are owed to the state as compensation for CalWORKs and foster care services delivered to families with established support orders.

A recent analysis of the collectability of California's child support arrears conducted by the Urban Institute found that approximately $5.4 billion of the state's arrears, $2.6 billion of which is owed to the state, is collectable. The report makes a series of findings and recommendations that may significantly improve the state's collections. Specifically, the study recommends that California reduce the number of orders it establishes by default, facilitate the adjustment of child support orders to reflect new income information, consider all relevant income data sources, and grant the DCSS authority to compromise arrearages owed to the state.

The Subcommittee considered the Child Support Program's performance and directed Subcommittee staff to work with the Administration and key stakeholders to develop strategies to improve the state's child support collections.

Alternative Proposal: The Subcommittee may wish to adopt a series of program reforms to establish accurate support orders and improve collection of arrears owed to families and to the state. The Subcommittee may wish to adopt placeholder trailer bill language to do the following:

(1) Modify the presumed child support obligor's income level at the equivalent of full time minimum wage employment instead of an amount that yields the "minimum basic standard of adequate care". Permit the custodial or noncustodial parent, the local child support program, and the DCSS to petition the court to retroactively adjust the child support order up to a year from the date of first collection to consider new income information. Require local child support programs to verify the obligor's income, particularly in default orders, within a month of the first collection.
(2) Permit the DCSS to modify child support orders when the obligor is low-income and define low-income as having an annual income below 150 percent of the federal poverty level.
(3) Establish an offers and compromise program, modeled on existing FTB and IRS tax collection programs, to permit DCSS to work with custodial and noncustodial parents to arrive at negotiated settlements of child support arrears. When arrears are owed to families, prohibit the state from reaching a settlement on arrears unless the agreement has the custodial parent's approval.

(4) Apply the Financial Institution Data Match process to all child support cases owing arrears and establish a minimum amount of resources obligors will be allowed to keep. FIDM allows the state to identify accounts of child support debtors and issue liens or levies against the accounts to collect past due support.
(5) Simplify the process to liquidate securities held by obligors and intended as payment for child support arrears.

Fiscal Effect of Reforms: The reforms will generate an estimated $72.7 million in increased General Fund revenues and increase by $6.8 million the federal child support incentives earned by California. The projected new revenue will decrease over time as California reduces the child support arrearages owed to the state.

Subcommittee staff estimates increased General Fund costs of $3.9 million to implement the reforms. These funds will support the establishment of 25 new positions at the Department of Child Support Services and fund necessary automation costs.

Staff recommendation: (1) Adopt the proposed placeholder trailer bill legislation and resulting increases in General Fund revenues. (2) Increase by $6.8 million the estimated federal child support incentives earned by the state in the budget year, and reduce General Fund support to reflect increased incentives. (3) Establish 25 new positions at DCSS and increase state support by $3.9 million General Fund to support new positions and other implementation costs.

2. Local Child Support Program Compensation

Background: Local child support agencies are responsible for the administration of child support programs at the county level and perform functions necessary to establish and collect child support. Program activities include establishing child support cases, establishing child support orders, collecting current and past-due child support, enforcing medical support orders, and implementing customer service initiatives.

California provides baseline compensation to counties at a level comparable to 13.6% of the estimated level of collections adjusted to reflect county expenditures and available General Fund resources. The Department of Child Support Services allocates resources for administration of local child support programs in a lump sum and does not control county expenditures for program activities and for child support initiatives.

Baseline county funding for the implementation of local child support programs is established according to a statutory incentive formula based on child support collections. It is not based on an analysis of actual expenditures, estimated staff time to meet program requirements, or costs of the different child support activities. Individual county allocations are generally based on historic county expenditures and vary across the state.

The Subcommittee considered the Governor's Budget proposed funding for local child support programs, including the Department's budget display and methodology to establish individual county allocations, at its April 10, 2003 hearing. Among the issues considered were the effect on program performance of administrative funding reductions, and the relationship of existing allocations to program performance and actual costs.

The Subcommittee directed staff to evaluate the Department's existing budgeting and allocation methodologies and to assess the programmatic effect of adopting the LAO reduction option. Subsequently, the Chair requested technical assistance from the LAO to consider county child support allocations, the relationship of county allocations to performance and costs, and to develop budget reform options for the Legislature's consideration. Analysis of county allocations reveals substantial differences in per case funding across counties. Program performance also varied across the state and does not appear to correlate to per case funding, geographic region, or county economic condition.

Subcommittee Request and Questions: The Subcommittee has requested that the Legislative Analyst briefly discuss county allocations across the state, the relationship of county allocations to program performance and actual costs, and comment on potential options to improve the existing system.

The Subcommittee has requested that the Department of Child Support Services discuss its existing county allocation methodology, the relationship of county allocations to program performance and actual costs, and efforts by the state to address disparities in county funding as part of its effort to reform the child support program.

5180 Department of Social Services

VOTE ONLY ITEMS

1. Automation Projects and County Administration– Issues A, B, C, D and E

Issue A – Cost Allocations

Background: California uses the Statewide Automated Welfare Systems to determine eligibility and administer benefits for CalWORKs, Food Stamps, Medi-Cal, Foster Care, Refugee and County Medical Services Programs. Federal law requires California to allocate system maintenance and operations costs across the benefiting programs to reflect caseload and system utilization patterns.

May Revision: The May Revision provides a net increase of $67,000 and shifts expenditures from the Federal Trust Fund to the General Fund and Reimbursements to reflect funding adjustments to automation projects and adjust cost allocations to benefiting programs.

Staff recommendation: Adopt the May Revision.

Issue B – Electronic Benefit Transfer

Background: Electronic Benefits Transfer is the automation of welfare benefit authorization, delivery, redemption and reconciliation. The system will replace paper food stamp coupons and benefit checks with transfers and use of benefits through point-of-sale devices and automated teller machines. Federal welfare reform requires states to implement EBT for food stamps. California will fully implement EBT by Sept. 2004.

May Revision: The May Revision proposes a $33.7 million ($15.9 million GF) increase due to revised assumptions of the EBT implementation impact on county administration.

Issue C – Prospective Budgeting

Background: Assembly Bill 444, Chapter 1022 of the Statutes of 2002 required California to implement prospective budgeting/quarterly reporting for CalWORKs, Food Stamps and the California Food Assistance Program. Implementation of the new prospective budgeting system has been delayed from September 2003 to November 2003. The Health and Human Services Data Center is in the process of adapting the Statewide Automated Welfare Systems to reflect the change in program administration.

May Revision: The May Revision provides a $22.6 million ($6 million general fund) increase to reflect the new implementation schedule, methodology changes, and additional training and automation system reprogramming costs.

Staff recommendation: Adopt the May Revision.

Issue D – CWS/CMS Maintenance and Operations Contract

Background: IBM Global Services developed and implemented the CWS/CMS system. California has continued to contract with IBM to maintain and operate the system. The current maintenance and operations contract will end on July 31, 2003. **The Data Center has successfully negotiated a 3-year contract extension, which will reduce state spending** on CWS/CMS maintenance **by $10.4 million annually, or 14%**.

May Revision: The May Revision requests that the Legislature reduce funding for CWS/CMS maintenance and operations by $9.7 million ($4.9 million general fund) to reflect reduced contract rates.

Staff recommendation: Adopt the May Revision proposal.

Issue E –Hardware requested for CWS/CMS Maintenance and Operations

Governor's Budget: The Governor's Budget proposed to increase HHSDC's spending authority by $10.6 million to fund new hardware for CWS/CMS maintenance and operations. The Legislative Analyst recommended that the HHSDC finance rather than purchase hardware to reduce costs for CWS/CMS maintenance and operations in the budget year.

May Revision: The May Revision incorporates the LAO recommendation that HHSDC finance the hardware purchase and requests that the Legislature reduce funding for CWS/CMS maintenance and operations by $7 million.

Staff recommendation: Adopt the May Revision proposal.

2. Community Care Licensing – Issues A, B and C

Issue A – Transfer of Licensing Responsibilities from Fresno to DSS

Background: The Department of Social Services, the licensing entity for family child care homes, frequently contract with counties to license these facilities. Fresno County has decided to terminate its contract with the DSS to license family childcare homes effective July 1, 2003. As such, the DSS will resume licensing functions in Fresno.

May Revision: The May Revision transfers responsibility for licensing certain childcare facilities from Fresno to DSS for net General Fund savings of $114,000. Specifically, it establishes five positions and provides a $368,000 General Fund augmentation to DSS and proposes offsetting reductions to local assistance funding totaling $482,000.

Staff recommendation: Adopt the May Revision.

Issue B – Caseload

Background: The Department of Social Services Community Care Licensing (CCL) establishes standards for, and oversees eighteen types of facilities, including adoption agencies, foster care homes and agencies, childcare homes and centers and residential care facilities for disabled and elderly adults. The state monitors approximately 85,000 homes and facilities, with a capacity to serve more than 1.4 million individuals.

May Revision: The May Revision reduces General Fund support for CCL by $329,000 and provides an increase of $18,000 Federal Trust Fund due to a decrease in caseload.

Staff recommendation: Adopt May Revision.

Issue C – Erosion of Savings

May Revision: The May Revision requests an increase of $241,000 General Fund and restoration of 4.9 positions due to a delay in implementation of the Governor's Budget proposed changes to annual licensing visit requirements.

Staff recommendation: Adopt the May Revision.

3. State Hearings – Issues A and B

Issue A - Medi-Cal Reimbursement – Conlan Lawsuit

Background: In *Conlan v. Bonta* the Appellate Court held that California must establish a reasonable procedure to reimburse Medi-Cal beneficiaries for covered services for which they paid during the three months prior to applying for Medi-Cal. The Department of Health Services plans to contract with the Department of Social Services to establish a *Conlan* claim adjudication process.

May Revision: The May Revision establishes 6.7 positions and provides $841,000 in increased reimbursements to address the *Conlan v. Bonta* state hearing workload.

Staff recommendation: Subcommittee action on this item will conform to its action regarding the Conlan lawsuit within the DHS budget.

Issue B – Child Support Hearings

Background: California's child support reform legislation required the establishment of a state hearing process to consider specified issues brought forth by custodial and non-custodial parents. The Department of Child Support Services contracts with the Department of Social Services to conduct these state hearings.

Finance Letter: A Finance Letter requests that the Legislature establish 16.4 positions and provide $1.8 million in increased reimbursements to support increase workload.

Staff recommendation: Approve 9 two-year limited term positions and adjust funding.

4. Suspension of State Mandate

Background: California law requires that child abuse defendants successfully complete no less than one year of treatment and counseling as approved by the county probation department. The Commission on State Mandates ruled that the recent law, which requires county probation departments to approve treatment and perform activities associated with the defendant's progress reports, constitutes a state mandate.

May Revision: The May Revision recommends that this mandate be suspended.

Staff recommendation: Adopt the May Revision.

5. Tyler v. Anderson

Background: *Tyler v. Anderson* was a class action lawsuit to overturn the Department of Social Services' policy of denying payment under certain circumstances to In-Home Supportive Services providers who provided range of motion exercises to IHSS recipients between June 1990 and May 1994. DSS settled this case and a Judgment was issued in January 1999 which required the department to inform potential claimants, receive and process claims and make payments to eligible claimants.

The department established a special unit to perform the required *Tyler* work on a limited term basis with positions expiring on June 2003. DSS has notified the majority of potential claimants and resolved 3,536 claims. However, due to a high volume of mailings returned as undeliverable, DSS has agreed to re-notice 170,000 potential claimants and resolve claims that may result from these contacts.

Finance Letter: A Finance Letter requests an increase of $270,000 general fund to extend 4 limited term positions for two years to complete additional activities under the Tyler v. Anderson settlement.

Staff recommendation: Establish 2 positions and adjust funding accordingly.

6. Adoptions Services

Background: The Adoptions program provides a range of services to encourage and facilitate the adoption of children who have been relinquished by their parents or who have become wards of the state due to the termination of parental rights as a result of abuse or neglect. The program is overseen by the state and administered locally by county welfare departments.

Governor's Budget: The budget provides $78.7 million ($41.3 GF) to fund the program.

May Revision: The May Revision proposes a net reduction of $1.1 million ($343,000 general fund) to Adoption Services funding. The proposed reduction reflects a reduced caseload estimate for Private Adoption Agency Reimbursement Payment offset by an increase in basic costs stemming from delayed implementation of the proposal to eliminate the Independent Adoptions Program.

Staff recommendation: Adopt the May Revision.

7. Adoption Assistance Program

Background: The Adoption Assistance Program (AAP) provides financial support to families adopting a child with special needs. These needs can include a mental, physical, medical or emotional handicap; race, color or language barriers to adoption; age of over three years; member of a sibling group; or adverse parental background. The AAP payment shall not exceed the age-related foster family home care rate for which the child would otherwise be eligible, and the child shall have been otherwise eligible to receive aid under the Foster Care Program.

Governor's Budget: The budget provides $503.8 million in combined federal and county funds for AAP grant payments. The budget assumes that the estimated caseload will be 60,811 in the budget year, a 12% increase over current year.

May Revision: The May Revision proposes to increase AAP funding by $18.9 million ($6.8 million general fund) to reflect an estimated decrease in caseload growth offset by an increase in the average grant costs.

Staff Recommendation: Adopt the May Revision.

8. Kinship Guardianship Assistance Program (KinGAP)

Background: The KinGAP program provides stable guardian placement for children in foster care, who are placed with relatives and for whom the placement is their permanent plan. Similar to the Adoption Assistance Program, KinGAP provides guardians a monthly payment at the basic foster care rate for which the child would otherwise be eligible. The budget estimates an average monthly caseload of 16,140 children. This constitutes a caseload growth rate of 24.1% from the current year to the budget year.

Governor's Budget: The budget for the KinGAP program is estimated to grow by a total of $19.5 million, reflecting an increase of 24%. The budget provides a total of $100.8 million in federal and county funds to support the program.

May Revision: The May Revision reduces KinGAP funding by $3.3 million general fund due to a decrease in caseload growth. The May Revision also adjusts funding to reflect an increase in expenditures eligible for federal reimbursement.

Staff Recommendation: Adopt the May Revision.

9. California Food Assistance Program

Background: The California Food Assistance Program (CFAP) is a state-only food stamp program for legal non-citizens that serves individuals who became ineligible for the federal Food Stamps program following the 1996 enactment of the federal welfare reform law. The estimated caseload at the end of the budget year is approximately 5,000.

Governor's budget: The budget provides $11.2 million to support CFAP.

May Revision: The May Revision reduces CFAP funding by $1.8 million general fund due to a caseload decrease.

Staff Recommendation: Adopt the May Revision.

10. Refugee Cash Assistance Program

Background: The Refugee Cash Assistance Program provides cash grants to refugees during their first eight months in the United States if they are not eligible for other human services programs. The program is entirely federally funded.

May Revision: The May Revision reduces program funding by $153,000 federal funds due to a lower caseload projection. The May Revision also provides a $1.7 million non-general fund increase to support Refugee programs and Adult Protective Services.

Staff Recommendation: Adopt the May Revision.

ITEMS FOR DISCUSSION:

1. FBI Fingerprinting Fee Exemption

Background: California requires persons working or volunteering at community care licensing facilities and family day care facilities to be fingerprinted. Generally, licensees are required to pay for the fingerprinting process. Certain providers have been historically exempted, or partially exempted from the required fees. These providers include family day care providers, persons operating or managing a certified family home or a foster family home, and volunteers at child care facilities.

May Revision: The May Revision proposes legislation to eliminate existing fingerprinting fee exemptions or adjustments for general fund savings of $2.8 million.

Staff Recommendation: Adopt placeholder trailer bill language to suspend existing fingerprint fee exemptions and assume general fund savings of $2.8 million.

2. California Work Opportunity and Responsibility to Kids (CalWORKs)

Background: The California Work Opportunity and Work Responsibility to Kids (CalWORKs) program implements in California the Temporary Aid to Needy Families (TANF), the federal welfare reform law of 1996. CalWORKs provides eligible low-income families monthly cash benefits and a range of services, including employment services, childcare, and substance abuse treatment and mental health services, designed to support employment and assist families in moving to self-sufficiency within time limits imposed by federal and state law. The program operates under guidelines set at the federal and state levels. It is overseen by the California Department of Social Services and administered locally by counties.

CalWORKs is funded through a federal TANF block grant amount of $3.7 billion. This amount must be matched with a state share (MOE) of $2.7 billion.

A. CalWORKs caseload

Background: CalWORKs provides cash benefits and welfare-to-work services to children and their parents or caretaker relatives who meet specified eligibility criteria including having a family income below the CalWORKs maximum aid payment, having less than $2000 in resources, and having a car valued at $4,650 or less. The average family of three must have a monthly income below $949 or 75 percent of the federal poverty level to be eligible for CalWORKs.

Governor's Budget: The budget estimates that the average monthly CalWORKs caseload will be 517,472. It makes the following major assumptions about CalWORKs caseload:

- Caseload will increase by 1.9 percent in 2002-2003 and .8 percent in 2003-2004
- 56,700 and 100,600 parents will reach their CalWORKs time limit in the current year and the budget year
- Implementation of a new prospective budgeting system effective September 2003 will increase program caseload

May Revision: The May Revision estimates that the average monthly CalWORKs caseload in the budget year will be 471,106, substantially less than the caseload estimated in January. The May Revision makes the following major assumptions:

- Caseload will decrease by 3.9 percent in 2002-03 and by 2.2 percent in 2003-04
- 23,346 and 51,161 parents will reach their CalWORKs time limits in the current year and budget year
- Assumes reduced caseload effect of the new prospective budgeting system, due to the delayed implementation. System implementation will begin November 2003. Los Angeles will transition to the new system in May 2004.

B. Grants Levels

Background: CalWORKs provides monthly cash assistance to eligible children and their parents or caretaker relatives. A family's grant depends on its size, available income and resources. Grants also depend on the cost of living of the area in which the family resides.

The current maximum grant for a family of 3 on CalWORKs is $679 per month.

Current law provides an annual cost of living adjustment of CalWORKs grants effective October 1st. The cost of living adjustment is based on the California Necessities index. Last year's budget delayed provision of the 2002 COLA until June 1st. Under current law, the maximum aid payment for a family of 3 will increase to $729 in October 2003.

Governor's Budget: The budget proposes (1) to suspend CalWORKs cost of living adjustments for the current year and the budget year and (2) to reduce CalWORKs grants by 6.2 percent, for savings of $487.6 million ($80 general fund).

May Revision: The May Revision restores the reduction to CalWORKs grants and maintains the proposed suspension of the cost of living adjustment. It requests that the Legislature reduce funding for CalWORKs assistance payments by $161.1 million as compared to the proposed Governor's Budget.

Suspension of the cost-of-living adjustment will maintain grants at their current level and will not keep pace with cost of living increases such as rising housing costs. Opponents of this suspension argue that this proposal will result in significant hardship to low-income families without resulting in general fund savings.

Staff recommendation: Adopt proposed restoration of CalWORKs grants. Reject proposed COLA suspension. Restore funding for current year and budget year COLAs.

C. CalWORKs Employment Services and Administration Funding

Background: County welfare departments are responsible for the local development and implementation of CalWORKs. They receive a block grant from the state and are given substantial flexibility to design and carry out the CalWORKs program within the state and federal program guidelines. Counties develop and implement employment preparation and family support programs. County staff members determine eligibility for the program, provide case management services, develop welfare-to-work plans, and provide referrals for services such as child care, housing assistance and transportation.

Governor's Budget: The budget suspends cost of doing business adjustments; reduces single allocation funding; and provides a one-time increase for employment services. Specifically, the budget:

- Reduces CalWORKs Services and Stage 1 childcare funding by $403.3 million as a result of parents reaching their CalWORKs time limit;
- Assumes savings of $75.2 million from implementation of prospective budgeting;

- Provides a single allocation increase of $241.5 million to fund county delivered employment services.

May Revision: The May Revision proposes significant adjustments to the proposed county compensation for employment services and CalWORKs administration. Specifically, the May Revision:

- Adjusts CalWORKs Services funding to reflect a reduction in the number of parents who will reach their CalWORKs time limit and actual county expenditures to serve parents at the time they reach their time limits;
- Reduces the administrative savings of implementing prospective budgeting due to a delay in implementation, a need for caseworker training, a gradual phase-in of administrative savings, and increased reprogramming costs;
- Reduces modestly administrative savings associated with the implementation of the Electronic Benefit Transfer system;
- Reduces the one time augmentation for employment services by $85 million
- Adjusts funding to reflect changes in the Welfare to Work Match.

The May Revision requests that the Legislature increase the proposed funding for CalWORKs services and administration by $156.9 million as compared to the proposed Governor's Budget.

Staff recommendation: Adopt May Revision proposed funding for CalWORKs services and increase the one-time augmentation for employment services by $35 million.

D. CalWORKs Childcare

May Revision: The May Revision reverses the proposed realignment of childcare and restores partial funding for the program. It transfers $549.6 million in TANF funds to support Stage 2 childcare and counts $57.7 million in general subsidized childcare expenditures toward the federally required TANF maintenance of effort. It makes $384 million in reductions to the current year level of service. Without these reductions, the Proposition 98 guarantee level would be over-appropriated by $341 million.

The Administration is proposing the following reductions and savings to childcare:

Proposal	Total Savings (millions)
Regional Market Rate regulations changes	123
Reduce the maximum reimbursement rate to the 85 percentile of the Regional Market Rate.	44
Increase Family Fees	33
Eliminate child care services for 13 year olds	4
Eliminate child care for grandfathered families	12
Stage 3 child care caseload savings	35
Reduction in Quality Improvement Initiatives	13
State Preschool savings	4
Increase in One-time federal funds	15

Increase in the TANF transfer		101
Total Savings	**$**	**384**

ALTERNATIVE PROPOSAL:

The Senate and Assembly Subcommittees on Education will likely consider an alternative proposal to save the $384 million:

Item	Total Savings (millions)	
Reductions to child care		80
TANF		137
Federal child care funding		65
Caseload Adjustments		85
One-time savings in Preschool		10
Reduced Before and Afterschool funds		7
Total Savings	$	384

The alternative proposal is contingent on the use of $137 million TANF funds for childcare:

Item	Proposed Savings ($ Millions)
TANF transfer proposed in Governor's Budget	101
TANF savings identified in other budget areas	36
Total TANF	**137**

The alternative proposal assumes that Subcommittee actions result in $36 million savings, including reduction of Data Center rates, automation projects and other reductions.

Staff recommendation: (1) Adjust Stage 1 funding to reflect adoption of the alternative proposal; (2) Increase the transfer of TANF funds to Stage 2 Childcare by $241.6 million for a total transfer of $585.6 million; (3) Adopt the proposal to count $57.7 million in general subsidized childcare expenditures toward the federally required TANF MOE.

E. County Flexibility - Issues A and B

Background: California provides counties a single allocation grant to fund CalWORKs Stage 1 childcare, employment services, and program administration. These single allocations were established during the implementation of CalWORKs and were based on each county's estimate of the level of funding necessary to fully fund their CalWORKs program. The allocations were adjusted to reflect actual costs in 1998-99 and 1999-00. California has maintained counties at their 2000-01 level in subsequent years. The state's policy to maintain county compensation at the 2000-01 level has increased pressure within county CalWORKs budgets and has limited funds for important CalWORKs activities including the provision of employment services.

Issue A - Maintain CalWORKs Services Expenditures at the Budget Appropriation

Background: Under current practice, the Department of Social Services re-distributes unspent CalWORKs Services County Compensation funds among counties. These funds compensate counties for any expenses that exceed their allocation without increasing the state's overall spending.

Governor's Budget: The budget contains bill language to eliminate the redistribution of unspent CalWORKs Single Allocation at the end of the 2003-04 fiscal year. The budget does not assume any savings associated with this proposal.

Staff recommendation: Delete budget bill language, Item # 5180-101-0001, Provision 10

Issue B - County Performance Incentives

Background: CalWORKs legislation established a county performance incentive system to reward counties for successfully transitioning CalWORKs recipients off aid and into employment, for diverting applicants from the program and for grant reductions resulting from increased earnings. Counties used incentive allocations to supplement county CalWORKs funding to serve needy families. The state last appropriated new performance incentive funds to counties in 2001-02.

Governor's Budget: The Budget assumes that remaining CalWORKs Performance Incentives will be fully expended at the end of 2002-2003. However, there is a possibility that in some counties there may be a small amount of unspent incentives remaining after June 30, 2003. Permitting counties to spend any remaining incentive funds in the budget year would assist counties in continuing to operate an effective CalWORKs program.

Staff recommendation: Adopt placeholder trailer bill language to clarify that unspent county incentive funds can be "rolled over" from 2002-03 to 2003-04.

3. In-Home Supportive Services (IHSS)

Background: The In-Home Supportive services (IHSS) program provides services to aged, blind or disabled individuals that allow them to remain safely in their own homes as an alternative to out-of-home care. Services include domestic services (meal preparation, laundry), nonmedical personal care services, assistance while traveling to medical appointments, teaching and demonstration directed at reducing the need for support, and other assistance. Services are provided through individual providers hired by the recipient, county contracts with service providers, or through welfare staff. 76.6 percent of the persons receiving IHSS are provided federally reimbursable services through the Personal Care Services Program, a Medicaid option implemented in California since 1993. The remaining are served through the State's IHSS Residual Program.

Governor's Budget: The budget provides $3.2 billion in funding for the program. **It proposes to realign the program to counties and to suspend the state's participation in IHSS wage increases for the budget year.**

May Revision: The May Revision increases funding for In-Home Supportive Services by $104.7 million ($26.5 million general fund) to reflect caseload increases, higher wages for IHSS providers and increases in the average number of services hours. The May Revision reflects reversal of the proposed realignment. It proposes an unprecedented transfer of $102.4 million in TANF funds to cover increased IHSS costs.

Staff recommendation: Adopt May Revision proposed funding level for IHSS. Reject the proposed transfer of TANF funds to support IHSS. Provide a $54.1 million general fund increase to fund IHSS in the budget year.

4. Supplemental Security Income/State Supplementary Payment (SSI/SSP)

General Background: The SSI/SSP program provides cash grants to persons who are elderly, blind and/or too disabled to work and who meet the program's federal income and resource requirements. Individuals who receive SSI/SSP are categorically eligible for the Aged, Blind or Disabled Medi-Cal Program with no share of costs, and for the In-Home Supportive Services Program. The SSI/SSP program is administered by the Social Security Administration. More than 1.1 million Californians receive SSI/SSP. Over two-thirds of recipients are disabled, 30 percent are elderly, and two percent are blind.

SSI/SSP grant levels vary based on a recipient's living arrangement, marital status, minor status and whether she or he is aged, blind or disabled. Currently there are 19 different SSI/SSP payment standards. The current maximum grant for an aged or disabled individual living independently is $757 per month. It is $1344 for couples living independently.

SSI/SSP grants are generally adjusted every year to reflect cost of living changes. Specifically, current law provides an annual state cost of living adjustment for SSI/SSP grants, which is based on the California Necessities Index. The scheduled cost of living adjustments will increase the maximum SSI/SSP grant for an individual from $757 to $805 by January 2004.

Governor's Budget: The budget proposes (1) to suspend cost of living adjustments for SSI/SSP grants for the current and budget years and (2) to reduce SSI/SSP grants to the federal maintenance of effort level. The budget assumes $1 billion in savings as a result of these proposals.

May Revision: The May Revision restores the reduction to SSI/SSP grants and maintains the proposed suspension of the cost of living adjustment. It also adjusts estimated SSI/SSP costs to reflect minor caseload changes. The May Revision requests that the Legislature increase program funding by $672.7 million to reflect the proposed changes.

Staff recommendation: Adopt proposed restoration of SSI/SSP grants. Reject proposed COLA suspension. Restore funding for current year and budget year COLAs.

5. Child Welfare Services

Background: The Child Welfare Services (CWS) system provides a range of services to protect children from abuse, neglect and exploitation. The CWS system includes Emergency Response, Family Maintenance, Family Reunification and Permanent Placement services. The Department of Social Services is responsible for oversight of the state's CWS system. County welfare departments administer and operate CWS programs, and deliver program services to children and their families. The DSS and its county partners serve an estimated 171,000 youth each month.

Governor's budget: The budget provides $2.08 billion total federal, state and county funds ($69.3 million general fund) to support the CWS system. Funding for the Child Welfare Services system is based on 2000-2001 county costs and does not include a cost-of-doing business adjustment to local child welfare services providers.

May Revision: The May Revision proposes a net reduction of CWS expenditures by $49.3 million. **It provides a $26 million TANF fund transfer to offset general fund expenditures.** The May Revision reflects the following changes:

- Increase of $3.1 million general fund to reflect caseload growth.
- $878,000 net increase in county compensation for Relative Home Assessments
- Decrease of $52.4 million Federal Trust Fund due to a reduction in the Title XX transfer to the Department of Developmental Services offset by increases in TANF funding transfers through Title XX to DSS programs including CWS and IHSS.

The May Revision modifies the proposed county compensation for relative home assessments. Specifically, the May Revision increases the estimated number of hours for completion of assessments, reduces the percentage of cases with multiple relatives interested in adopting a child who is a relative, and reduces funding pursuant to the Governor's proposal to streamline annual licensing visits. The proposed funding remains significantly below county estimated costs of completion of the assessments.

Staff recommendation: Redirect $1,042 million proposed to fund CWS/CMS staff development to augment funding for county completion of relative home assessments and otherwise adopt the May Revision as proposed.

6. Foster Care Program

Background: The Foster Care program provides support payments for children in out-of-home care as a result of a judicial order or a voluntary placement agreement. The program provides payment to foster care service providers, including foster homes, foster family agencies, residential treatment for seriously emotionally disturbed children and group homes. The program is administered by the Department of Social Services and operated by county welfare departments. It serves an estimated average of 76,400 youth a month, reflecting a 2.2% increase in caseload.

Governor's Budget: The budget provides $1.78 billion total funds ($78,000 general fund) to support the foster care system. It does not provide a cost-of-doing business adjustment for counties and maintains provider rates at the 2001-02 level.

May Revision: The May Revision increases Foster Care program funding by $12 million general fund and $1 million federal funds due to an increase group homes grant costs, a decrease in the number of children in foster care eligible for federal funding, and caseload growth. The May Revision also proposes an $11 million increase in funding for transitional housing for foster youth to reflect caseload increases.

Staff recommendation: Adopt the May Revision. Adopt placeholder trailer bill language to extend rate flexibility granted to foster care providers in the current year into future years. Adopt TBL to require DSS to work with providers to develop alternative flexibility proposals that protect child safety and to report to the Legislature at budget hearings.

7. California Child and Family Services Review

Background: The federal Adoption and Safe Families Act of 1997 made sweeping changes to state child welfare services programs and foster care programs. Among other changes, the Act required the establishment of a new outcome based evaluation process to assure states' substantial conformity with federal foster care, child protective services and adoptions services requirements. The new review assesses state performance on seven outcomes pertaining to safety, permanency and well being, and on seven systemic factors including training of foster parents and caseworkers, data systems, and quality assurance. The review establishes fiscal penalties for non-compliance and may affect federal financial participation in the future.

The federal government completed its review of California's child and family services in January 2003. The review examined multiple state programs and services including child protective services, foster care, adoption, family preservation, family support and independent living. The federal government concluded that California is not operating in substantial conformity in all evaluated outcome areas and five of the seven evaluated factors. California is in substantial conformity only with requirements regarding agency responsiveness to the community and having a statewide information system that meets specified criteria.

Federal law requires that California negotiate a Program Improvement Plan (PIP) with the federal government to address system deficiencies and improve the state's outcomes. The state's plan will outline specific steps California will take to improve its children and family services system. California has submitted its PIP for federal approval. The federal government has submitted multiple requests for additional information and appears interested in negotiating with California to significantly change the proposed PIP.

May Revision: The May Revision proposes to use $28 million in TANF funds to implement components of the state's Program Improvement Plan and Child Welfare System Redesign. Specifically, the May Revision proposes to:

- Restore funding for Foster Parent and Relative Caregiver Training
- Fund targeted recruitment of foster and adoptive parents for children who are from ethnic and racial groups that are over-represented in the foster care population
- Reduce the Supervisor/Social Worker ratio from 7:1 to 6:1 to assure clients receive continuous services while Social Workers attend mandated training.
- Provide grants to counties to expedite the implementation of evidence-based practices such as safety assessment tools, Family-to-Family (neighborhood-based foster care) and engagement of communities and families in the intake process.

Subcommittee request and questions: The Subcommittee has requested that the Department of Social Services briefly discuss the state's proposed Program Improvement Plan, the status of negotiations with the federal government on the PIP, and the Department's May Revision proposal.

Staff recommendation: Deny the May Revision proposal.

8. Realignment

Governor's Budget: The Governor's budget proposed a major realignment package, which consists of four components in the health and human services arena (over $7.9 billion), and a court security plan for the Trial Courts ($300 million), for total expenditures of $8.2 billion. The budget proposes new dedicated realignment revenues totaling $8.3 billion, including an increase in the Sales Tax (one percent), an increase in Personal Income Tax (10-11 percent bracket) and an increase in the Tobacco Excise Tax ($1.10 increase).**The Senate has reversed the proposed realignment in its entirety.**

May Revision: The May Revision significantly reduces the scope of the Governor's proposed realignment. The May Revision proposed realignment shifts approximately $1.7 billion in program costs to counties and provides approximately $1.8 billion in new revenue to support the realigned programs. The Governor proposes to realign the following human services programs:

	Current SOC	Proposed SOC	GF savings
CalWORKs grants	2.5 %	30 %	$782 million
CalWORKS Services	0 %	30 %	$359 million
Child Welfare	30 %	50 %	$197 million
Foster Care Grants	60 %	80 %	$237 million
Foster Care Admin	30 %	50 %	$11 million
Child Abuse Prevention	0%	100%	$12 million
Adult Protective Services	0 %	100 %	$61 million
			$1.66 billion

The May Revision realignment package focuses on programs that are administered by counties and that have relatively stable caseloads. Generally, counties have modest to substantial local control of the human services programs proposed for realignment. Although counties and other stakeholders have concerns about the stability of the proposed revenue sources, there is a general agreement that the proposed realignment is programmatically feasible.

Staff recommendation: (1) Maintain the Subcommittee's prior action to reverse realignment; (2) Adopt Budget Bill Language to recognize savings from proposed realignment contingent upon enactment of legislation containing a realignment package. (3) Adopt placeholder TBL to enact the May Revise Realignment package.